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## MEMORANDUM

TO: Members of the VML/VACO Virginia Power Steering Committee

FROM: Louis R. Monacell, Esquire  
Cliona M. Robb, Esquire

DATE: July 6, 2001

RE: **New Seven-Year Contract Effective July 1, 2000/Major Areas of Change and Impact**

We are pleased to report that we have reached agreement with Virginia Power on the form of a new seven-year contract for electric service to local governments to be effective from July 1, 2000 to June 30, 2007. We present this memorandum, together with assistance from your utility consultants, Steve Ruback and Jim Cotton of the Columbia Group, to summarize major areas of change and impact in the new seven-year contract for electric service. These major areas are outlined below.

Within the next few weeks, we will distribute a more detailed "how-to" memorandum with suggestions for implementing various aspects of the new agreement.

The documents that accompany this memorandum are as follows:

- Memorandum from the Executive Director of VML, the Executive Director of VACo, and the Chair of the VML/VACo Virginia Power Steering Committee
- Transmittal Letter from Virginia Power setting forth agreements made outside the scope of the contract documents
- Master Agreement marked to show how the new agreement changes the 1997 agreement
- Attachment A for rates effective July 1, 2000 to December 31, 2000 marked to show how these rates revise the 1997 rate schedules.

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- Attachment B for rates effective January 1, 2001 to June 30, 2007 marked to show how these rates revise the 1997 rate schedules.
- Attachment C for terms and conditions marked to show how these terms and conditions change the terms and conditions in the 1997 agreement.
- Attachment D for rate schedules and rules applicable to local government pilot program accounts

### **1. Rate Reduction for Tax Law Changes**

The General Assembly enacted legislation that, effective January 1, 2001, eliminated gross receipts taxes on electric utility bills and imposed state income taxes for the first time on Virginia Power. (It also imposed a consumption tax for electricity for the first time on non-governmental customers.) While the negotiations with Virginia Power were relatively straightforward for eliminating the gross receipts tax (equal to approximately 2.6% of the monthly bill) and exclusion from the consumption tax, negotiations were required to resolve how much of the benefit of removing the gross receipts tax was to be offset by imposition of the state income tax. On January 1, 2001, Virginia Power lowered rates to local governments to reflect the tax law changes by \$3,503,000 on an annual basis. We were responsible in the negotiations for increasing the annual savings to all local governments by on the order of \$300,000 by negotiating for a lower income tax cost to be embedded in the base rates that are to be frozen by the contract. Over the life of the contract this benefit from our negotiations will save the local governments, we estimate, in excess of \$2 million.

### **2. Rate Reduction Due to Reduced Allocation of Purchased Capacity**

The local governments' rates include base rates and a fuel adjustment. Part of the fuel adjustment is an allocation of purchased capacity cost that are allocated to local governments based upon an allocation factor related to the local governments' usage as compared to usage of other types of customers served by the utility. We were successful in negotiating a lower allocation factor for the local governments than proposed by Virginia Power. This lower allocation should save all local governments annually on the order of \$800,000 starting July 1, 2001 and continuing during the life of the contract in excess of \$5 million.

### **3. Seven-Year Freeze of Base Rates**

In the past, the local governments have generally contracted for three-year agreements with Virginia Power. In the negotiation for this contract, Virginia Power asserted and provided documentation to support a rate increase of \$11 million per year. In contrast, the new agreement provides for no increase in base rates but rather caps base rates at the level of the prior contract generally, after the tax and purchased capacity reductions discussed above, during the remainder of the seven-year agreement. Because your base rates are capped for seven years, as opposed to

three, you have the benefit of greater stability in your electric costs than you would have had with the prior shorter term contracts. The current monthly fuel adjustment will continue generally as in prior contracts.

**4. 6-to-1 Streetlighting Ratio**

We were successful in continuing the benefit of a 6-to-1 ratio for streetlighting projects. This means that when Virginia Power makes an investment on a new streetlighting project for local governments it will generally give local governments a credit of six years' worth of revenue, minus the fuel adjustment, in determining whether a local government must make any up-front payment. The difference between a 6-to-1 and a 4-to-1 ratio, as would otherwise apply, is a savings to all local governments on the order of \$2 million per year, which would be \$14 million over the life of the contract.

**5. Grandfathered Standby Generator Credit**

We were successful also in continuing the grandfathering of the \$75 annual credit for standby generation. This contrasts with the credit paid to Virginia Power's jurisdictional customers of \$24 per kW per year. The grandfathering at the \$75 level saves local governments in total on the order of \$900,000 per year and over \$6 million over the life of the contract. Moreover, the new contract clarifies that a local government with a grandfathered SG account has the right at the beginning of each summer or winter season to revert to its SG capacity at the grandfathered level of kW.

**6. Opening Up Schedule 132**

Prior to this contract, Schedule 132, which provides for variable time pricing and savings to local government accounts that can avoid usage during peak load "A days", was closed to existing accounts. The new agreement allows up to 100 existing accounts to switch to Schedule 132. We estimate that this could provide savings to local governments in total on the order of \$1 million per year and over \$7 million over the life of the contract.

**7. New Interval Metering**

Interval meters are meters that record usage during every hour. Presently, Virginia Power has installed interval meters generally only to accounts that have the capability of using 750 kW or more of demand. Pursuant to the new agreement, Virginia Power will install (with no cost to local governments during the contract) interval metering for all accounts with 500 kW or more of demand. We estimate that this saves the local governments in total in excess of \$200,000 for the cost of such meters. Such interval meters will provide data that should make serving such accounts more attractive to competitive suppliers.

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## **8. Pilot for Customer Choice**

As part of the new contract, Virginia Power has agreed to a pilot program for local government accounts to select one or more competitive service providers for generation services for up to 117 million kWh of local government usage on an annualized basis. The Steering Committee has assisted in formation of a joint powers agreement association named the Virginia Governmental Electricity Purchasing Association, which will conduct a request for proposals in the near future for certain eligible accounts on Schedules 100, 110, and 130 with interval meters. Preparation for this pilot program will serve as a valuable "test run" for structuring a long term JPA to assist local governments in procuring generation services competitively.

## **9. Full Customer Choice**

Pursuant to the contract, local governments are entitled to continue to receive full service from Virginia Power at the capped base rates through June 30, 2007. However, one-third of all local government accounts will have choice of their generation supplier starting January 1, 2002; an additional one-third on September 1, 2002, and all local government accounts on January 1, 2003. We are hopeful that this opportunity to select another supplier while having the option of staying with Virginia Power will save local governments in total in excess of \$1 million per year and over \$6 million during the life of the contract.

## **10. Capital Project Matters**

We were successful in providing greater flexibility and clarification in matters related to capital projects. Virginia Power clarified when the use of company-approved contractors is not required, and agreed to provide assistance from upper level management when local Virginia Power personnel unreasonably prohibit localities from performing work that Virginia Power would otherwise subcontract. Virginia Power also clarified what parameters it uses in determining whether to add a contractor to its approved-contractor list, and provided a mechanism for local governments to request that a contractor be added. Virginia Power also specified the circumstances under which it may require minimum contract payments for new projects; previously, this had been done on an ad hoc basis with no restrictions on what Virginia Power could require.

Virginia Power also agreed to set up a joint action committee (JAC) with the overall objective of affecting positive changes in Virginia Power and local government procedures that will improve service to local governments. The JAC will be staffed by representatives of the Steering Committee and Virginia Power personnel with the authority to implement changes recommended by the JAC. Topics to be addressed by the JAC include cost estimates, cost overruns, and construction scheduling issues.

#### **11. Billing and Payment Matters**

We were successful in negotiating certain clarifications and improvements for billing and payment matters. The JAC will address problems related to monthly billing adjustments for streetlights. Virginia Power has agreed to make senior management available to discuss problems related to improper posting of payments, misdirection of bills, and related matters. In addition, Virginia Power has agreed to extend its billing adjustment period to three years (previously, the adjustment period was one year) and has agreed to permit the use of electronic billing OR electronic payment (previously, these were only offered as a package deal).

#### **12. Streetlighting Matters**

We were successful in negotiating certain clarifications and improvements related to streetlighting outages and repairs. The JAC will address issues related to the adequate and timely maintenance of streetlights. The streetlighting website will be opened up to all localities for reporting and tracking streetlighting outages; outages called into Virginia Power's 800 number will be added to the website, and localities will still be able to call in unusual outage situations directly to Virginia Power. Virginia Power has agreed to address comprehensively problems encountered with the use of its website to date. The repair times and billing adjustments for streetlights have been altered to address concerns about Virginia Power's position that it had an unlimited amount of time to repair outages involving underground cables, and that no billing adjustments were required in these circumstances. Time frames have now been imposed on all outages involving cable repairs, and the types of outages to which minimum repair times apply have been expanded slightly.

#### **13. Contract Re-openers**

We were successful in limiting the contract re-openers that Virginia Power initially proposed for a seven-year contract. We limited rate adjustment for financial distress to circumstances where the State Corporation Commission has made a finding that Virginia Power is subject to financial distress beyond its control. All other contract re-openers may revise the agreement only if the Steering Committee consents to the revision, and the parameters for good faith renegotiations are fairly reasonable. For instance, when Virginia Power transfers its generation assets, any revisions related to this transfer will be designed not to cause customers to pay more for fuel, purchased power, and non-fuel rates that they would have paid under the current fuel adjustment provisions if ownership had not been transferred. Similarly, a contract re-opener for revising the calculation of line extension payments (i.e. to exclude generation payments in calculating the 4:1 or 6:1 ratio) will only be done after the State Corporation Commission has approved this change for jurisdictional customers while preserving (to the extent feasible) any unique characteristics of the line extension policies for local governments.

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#### **14. Supplemental Agreements**

The "contract" portion of the new agreement (which contains the signature lines) states that the new agreement will cancel all previous agreements with Virginia Power unless otherwise agreed to in writing. This cancellation provision does not apply to any agreement for minimum contract amounts that is entered into prior to July 1, 2001. Section VII. G of the Terms and Conditions, which contains new minimum contract provisions, states that any agreement for minimum contract amounts that is entered into prior to July 1, 2001 will remain in place until such time in the normal course of business that such minimum contract provision is to be modified.

If a locality has supplemental agreements for electric service other than those setting forth minimum contract amounts, then each locality should review such existing agreements and determine whether it is in the locality's interest to have the agreement remain in place. If it is in the locality's interest to have the agreement remain in place, then the locality should have Virginia Power agree to this in writing AT THE SAME TIME that the locality executes the new agreement. If it is not in the locality's interest to have the agreement remain in place, then the locality should do nothing and simply sign the new agreement.

#### **15. Total of Savings**

While not all changes and benefits in the new contract can be quantified, we estimate that the quantifiable benefits achieved in the new seven-year contract provide savings to the local governments on the order of \$6 million on average each year and in excess of \$40 million over the life of the seven-year agreement. Further, the negotiations were successful in capping base rates for seven years at prior levels even though Virginia Power maintained that it could support an increase of \$11 million per year. Attached to this memorandum is a spreadsheet providing a rough idea of how each local government's share of the \$40 million savings compares to its total assessment. (Note: the total assessment is not limited to negotiation services provided by the Steering Committee; it also covers educational, legislative tracking, and competitive procurement services.)

#### **Conclusion**

Your counsel and consultants are pleased to have concluded the negotiations and achieved this final contract form. We hope that the Steering Committee's members and all affected local governments are pleased with the result. Please contact us if you should have any questions regarding the new contract or this memorandum.

cc: Mr. Steve Ruback  
Mr. Jim Cotton

#561353



July 2, 2001

Paul N. Proto  
Director of General Services  
County of Henrico  
P.O. Box 27032  
Richmond, Virginia 23273

Dear Paul:

Virginia Electric and Power Company (the "Company") and the VML/VACo Virginia Power Steering Committee ("Steering Committee") have agreed on: (a) the form and content of the *"Agreement for the Provision of Electric Service to Municipalities and Counties of the Commonwealth of Virginia from Virginia Electric and Power Company,"* including all associated rate schedules and Terms & Conditions (collectively referred to as the "Contract"), and (b) twenty-two items of general agreement on certain issues which are not formalized in the Contract (the "General Agreement Items"). The Steering Committee is a joint steering committee which consists of political subdivisions of the Commonwealth of Virginia that are members of the Virginia Municipal League or the Virginia Association of Counties (the "County and Municipal Customers") and that purchase electric service from the Company, and which acts on behalf of the political subdivisions it represents.

This letter (the "Transmittal Letter") transmits all five components of the Contract and also describes the General Agreement Items. Unless otherwise noted, the Transmittal Letter and the Contract are effective retroactively from July 1, 2000 and continue in effect until June 30, 2007. The five components of the Contract enclosed with this Transmittal Letter are as follows:

1. Introductory portion of the Agreement for the Provision of Electric Service ... (The portion of the agreement which contains the signature lines.)
2. Attachment A - Rate schedules and riders for service rendered from July 1, 2000 through December 31, 2000
3. Attachment B - Rate schedules and riders for service rendered from January 1, 2001, through June 30, 2007
4. Attachment C - Terms and Conditions
5. Attachment D - Pilot rate schedules and General Rules and Regulations for unbundled service during the retail pilot

The General Agreement Items are described in the numbered paragraphs 1 to 22 set forth below. All terms not otherwise defined in this Transmittal Letter shall have the meaning ascribed to them in the Contract.

**Paul N. Proto**

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If you agree that the five components of the Contract and the enumerated items below fairly represent our conclusions on the content of the Contract document and our intentions outside of the Contract document, please have one copy of this Transmittal Letter counter-signed and return it to me along with a copy of your memorandum to local governments recommending that they sign the agreement.

1. The July 1, 2000 and January 1, 2001 base rates include the following nuclear decommissioning costs, which are the level of costs agreed to in the *Agreement for the Purchase of Electric Service by Municipalities and Counties of the Commonwealth of Virginia from Virginia Electric and Power Company*, effective July 1, 1997 (the "1997 contract"):
  - Surry 1 \$595,542
  - Surry 2 \$685,195
  - North Anna 1 \$582,937
  - North Anna 2 \$544,146
2. For 2001 and 2002 the Company will provide electronically to the Steering Committee billing determinant data, interval data, and other data comparable to the data previously provided to the Steering Committee since January 2, 2000.
3. The customer, distribution, transmission and generation (unbundled) components of the capped rates effective January 1, 2001, will be determined through negotiations between the Steering Committee and the Company and, unless the parties agree otherwise, in the same fashion as the jurisdictional rates as approved by the Virginia State Corporation Commission (SCC) in the Company's Functional Separation Plan in Case No. PUE000584. The distribution function of the capped rates and the method for unbundling the components of the capped rates will be the basis for the development of the distribution/wires charge rates that are applicable for retail access.
4. Upon implementation of full customer choice, market prices for generation services, wires charges, and the rules, terms and conditions for full customer choice shall be determined through negotiation between the Company and the Steering Committee and unless agreed otherwise shall be consistent with the methodologies established pursuant to the Virginia Electric Utility Restructuring Act by the SCC for jurisdictional customers while recognizing any unique characteristics of the County and Municipal customers.
5. The distribution charges in the distribution/wires charge rate schedules for the pilot and full customer choice will be based on the cost of service. The total wires charge in the distribution/wires charge rate schedules will consist of two components: 1) the base wires



charge that is included in such rate schedules plus 2) a monthly wires charge equal to the County and Municipal customers' monthly fuel factor. The base wires charge for each schedule will be the difference between the embedded unbundled generation rate (which includes the fuel base of 1.756¢/kwh) for each schedule less the market price. In the event that the market price is greater than the embedded unbundled generation rate for a particular rate schedule a "negative base wires charge" will be included in the rate schedule. The total wires charge that will be billed each month will be the sum of the base wires charge included in a distribution/wires charge rate schedule for the pilot or full customer choice plus a monthly wires charge equal to the monthly fuel factor for the County and Municipal customer class. For those distribution/wires charge rate schedules that have a negative base wires charge, the total wires charge will be reduced by the negative base wires charge, but in no case will the total wires charge be less than zero. If the projected market price for generation is greater than or equal to the sum of the embedded unbundled generation rate, including the fuel base, and the monthly fuel factor, then the total wires charge shall equal zero. If the total wires charge equals zero, then the implied shopping credit for generation equals the sum of the embedded unbundled generation rate, including the fuel base and the monthly fuel factor.

6. The standby generator credits that are currently grandfathered under the 1997 contract shall continue to be grandfathered for the term of the Contract. The County and Municipal customers can reduce the summer and/or winter Capacity Level below the Existing Capacity Level for the season and then return to the Existing Capacity Level. There is no provision to allow that one request for operation be ignored in determining Average Capacity Generated.
7. The reduction to base and fuel rates to reflect the changes in Virginia tax law is \$3,503,000 and this reduction is incorporated into the rates set forth in Attachment B to the Contract. The rate design for the tax adjustments to base rates was based on an equal percentage reduction to each rate class. The customer charge and miscellaneous charges were not reduced. The gross receipts tax was removed from each rate element on an equal percentage basis. The amount of state income tax was added back to the base rate elements, except the customer and miscellaneous charges, on equal percentage basis for each customer class. The fuel adjustment factor was adjusted to exclude the gross receipts tax factor. The Tax Effect Recovery Factor (TERF) for the County and Municipal customers will be adjusted to reflect the Virginia tax law changes and shall equal the factor that is approved by the SCC for jurisdictional customers. The revised TERF shall become effective on the same date as approved by the SCC.
8. The production cost allocator that will be used to allocate purchased capacity costs incurred during those months that occur on and after July 1, 2001 shall be 4.5220%, and shall continue to be applied through the remaining months of the Contract.

9. For the pilot, the Company will compute the price to compare for up to 155 accounts as designated by the Steering Committee and provide workpapers. For full customer choice, the Company will calculate and provide the price to compare information, including workpapers, to the Steering Committee within 30 days of the final order by the SCC for jurisdictional customers in Case No. PUE000856.
10. For both the pilot and full customer choice, suppliers serving County and Municipal customers must be licensed by the SCC and registered with the Company, and must comply with all applicable terms and conditions in the SCC approved supplier tariff.
11. The Company agrees to extend the availability of Schedule ELCCM as it currently exists beyond March 31, 2001. The Company and the Steering Committee shall negotiate in good faith to modify Schedule ELCCM to lower the kW eligibility requirement and to provide for the aggregation of local curtailment capabilities among local government accounts that agree to participate in the economic load curtailment program as a group.
12. In calculating the four- and six-year revenue credits for line extensions, when determining the "additional continuing annual revenue reasonably anticipated by the Company from the facility being added to the Company's system" the Company agrees to include for County and Municipal customers the bundled revenue components (excluding Rider A fuel adjustment revenue), in the same manner as has been done to date, until both of the following have occurred:
  - a. The Company has discontinued the inclusion of certain revenue components for some or all of its Virginia jurisdictional customers or does so concurrently with any change for County and Municipal customers.
  - b. The Company has either:
    - i. received an order from the SCC implementing for Virginia jurisdictional customers, the elimination of certain revenue components from the calculation of revenue credits, or
    - ii. provided 90 days' advance written notice to the Steering Committee (or designated successor) of its intention to eliminate certain revenue components for county/municipal customers, or
    - iii. provided ten days' advance written notice to the Steering Committee (or designated successor) of its intention to eliminate certain revenue components for County and Municipal customers, accompanied by the Company's written agreement to refund any over-collections should subsequent negotiations or legal action determine that the Company improperly excluded portions of revenue from revenue credit calculations, provided that the Company shall not be required to make refunds for amounts collected in excess of 30 months prior to the issue's resolution date.

- c. Should the Company eliminate certain revenue components for County and Municipal customers, the application of the reduced revenue credits shall, unless the parties agree otherwise, be in a manner consistent with that applied to the Company's Virginia jurisdictional customers so that the remaining functional components are comparable. Should there be subsequent action by the SCC, or by any court of competent jurisdiction, or by the Company itself, whereby the Company reverts back to the inclusion of such revenue components for Virginia jurisdictional customers, the Company shall in like manner revert back to the inclusion of such revenue components for County and Municipal customers including the provision of refunds in a manner consistent with that applied to the Company's Virginia jurisdictional customers, notwithstanding paragraph 12. b. iii. above.
- 13. Under Paragraph III.E. of the Terms & Conditions (T&C) for the Contract, the Company has a right to require that a local government's contractor performing electrical work be on the Company's list of approved contractors. The following provides additional guidelines as to the general situations where the Company would not require the use of Company-approved contractors. Regardless of whether the contractor must be on the Company's approved contractor list, all work involving facilities to be turned over to the Company must pass the quality and inspection requirements specified under such Paragraph III.E.
  - a. Any work performed on non-electrical facilities (e.g., conduit, duct, manholes, vaults, pads, etc.) so long as the work is done on the facilities at a time when they are not owned by the Company.
  - b. Customer cleared right-of-way, where the customer removes trees, vegetation, debris, and other obstructions from the path of new overhead or underground lines.
  - c. Customer-dug trench where the Company installs cable and backfills the trench. This will require close logistical coordination to avoid leaving the trench open for extended periods.
  - d. Customer-dug trench where the Company installs the cable but the customer backfills the trench. This arrangement will require both logistical coordination and inspection fees for Company personnel to observe the backfilling operation to assure appropriate backfill composition and backfilling methods.
  - e. Repairs and restoration to sidewalks, streets, landscape, and other similar items.
  - f. Other situations of a similar nature where the Company agrees the work is of such limited scope and impact as to not require approval of the customer's contractors.

The Company will require all work on electrical facilities to be performed by Company-approved contractors if such facilities are either owned by the Company, or will later be turned over to the Company.

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14. Should any County or Municipal customer, after working in good faith with the Company's local personnel, encounter a perceived unreasonable denial of customer-performed construction under Paragraph III.E.5., such customer shall contact the appropriate member of the Company's management as listed below (or their successor), who shall investigate the concern of the customer and report back to the customer in an expeditious manner with either [a] confirmation of the denial with a general explanation of the reasons for denial or [b] authorization for customer-performed construction, as may be deemed appropriate by the Company's management.

Northern and Western Virginia:	Jerome M. Beverage	(703) 359-3087
Central and Southern Virginia:	George W. Gentry	(804) 236-4708
Southeastern Virginia:	Gerald A. Masini	(757) 393-3879

15. To the extent the Company and the Steering Committee reopen negotiations during the term of the Contract which involve negotiation of the fundamental structure of the plan for electric line extensions, the Company agrees that due consideration shall be given to the elimination of the provision stated in Paragraph III.E.9. of the T&C of the Contract. The Company and the Steering Committee recognize that any and all agreed-upon changes to the line extension plan shall be part of a total package and there is no promise, suggestion of a promise, nor commitment at this time by either the Company or the Steering Committee to any specific change, including but not limited to the elimination of such Paragraph III.E.9.
16. The general parameters used in evaluating the acceptability of contractors to perform work under Paragraph III.E.5. of the Contract are as given below. The Company may change these parameters as deemed appropriate, but shall not do so unreasonably and shall not do so without 90 days' advance written notice to the Steering Committee or its successor.
- Assure there is a written safety program that is followed.
  - Assure there is a documented training program in place that is used to appropriately train workers.
  - Assure compliance with all applicable local, state, and federal regulations, in particular, CFR 1910.269 and CFR 1926 subpart V, OSHA regulations.
  - Inspect credentials and otherwise assure that employees are qualified to work on voltages of 50 volts and above.
17. There are a number of issues that the Company and the Steering Committee have agreed to address through a joint action committee (JAC). The JAC is to be made up of local government employees who represent the collective interests of local governments under the direction of the Steering Committee, and Company employees. The parties agree to undertake involvement in the JAC in good faith, with the overall objective of affecting positive changes in the related procedures of the Company and the County and Municipal

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customers that improve service to the County and Municipal customers while improving the Company's ability to provide good service.

The parties to the JAC agree to assign representatives who are knowledgeable in the various areas addressed and are in a position to affect change within their organizations. Neither the Steering Committee nor the Company is committed to bring members to the table that are not matched by the faithful attendance of commensurate resources from the other. It is understood that the Steering Committee representatives cannot mandate changes that all local governments are committed to follow. Nonetheless, the Steering Committee representatives shall be empowered to commit with Virginia Power to a standardized set of procedures whereby problems encountered by County and Municipal Customers arising from their failure to follow the standardized procedures established by the JAC shall be interpreted by the Steering Committee as problems incumbent on the particular County or Municipal customer to correct.

The issues to be addressed by the JAC (and/or any subcommittees as may be established by the JAC) shall be:

- a. The process of estimating, communicating cost, payment receipt, scheduling, and constructing new services, primarily new street lights.
- b. The adequate and timely maintenance of street lights.
- c. The establishment of monthly billing or adjustments to billing in relation to items a. and b., above. This will also include discontinuing billing for removed street lights.
- d. The process of estimating, communicating cost, making payment, scheduling, communicating change orders, and constructing private work projects such as line relocations and the conversion of overhead lines to underground. This will also include initiatives to improve the information available to local governments regarding the actually incurred cost of projects where the local government's final charges depend on the actual project cost incurred by the Company.
- e. Other initiatives as the JAC may collectively decide to undertake.

18. Ms. Margaret King, director-Customer Service Center (804-775-5445) for the Company has requested that the Steering Committee provide a comprehensive list of billing problems which local governments have encountered. Upon receiving the list, Ms. King shall investigate each case in an effort to identify the root cause of each problem. Ms. King will then meet with Steering Committee representatives to address solutions to each problem. (Work toward resolution of individual problems may be delegated to others, but Ms. King or her successor will maintain oversight of the work.) The Steering Committee shall provide representatives of a commensurate level to work with Ms. King and other Company representatives toward resolution.

Both the Company and the Steering Committee recognize that solutions could lie in the procedures or systems of either the Company or the County and Municipal customers. It is understood that the Steering Committee representatives cannot mandate changes which all County and Municipal customers are committed to follow. Nonetheless, the Steering Committee representatives shall be empowered to commit with Virginia Power to a standardized set of procedures whereby problems encountered by County and Municipal customers arising from their failure to follow the standardized procedures established through the resolution process with Ms. King shall be interpreted by the Steering Committee as problems incumbent on the particular County and Municipal customer to correct.

19. When calculating the monthly kWh for flat-billed (i.e., non-metered) traffic signals, the Company agrees to use the input wattage of LED signals to the extent LED signals are actually being used. Virginia Power will also work with the Steering Committee to agree upon existing reasonable and reliable study data for use in modifying the Company's assumptions on the duration of burn for the red, yellow, and green lamps. The modified assumptions will be applied uniformly to all new flat-billed signal installations by local governments. To the extent existing traffic signalization is refitted with LED lamps, County and Municipal customers will inform Virginia Power of the change by calling 1-888-667-3000. The caller should be prepared to provide a complete list of each lamp served from the Company's point of delivery, its input wattage, and its color. County and Municipal customers are to also provide this information in the same manner when changing the configuration (lamp number and/or wattage) at any flat-billed traffic signal location, regardless of whether LED lamps are used. Upon the Steering Committee compiling all appropriate study data, please contact Harold Payne at 804-771-3835.
20. The Company has agreed to use a luminaire bracket and concrete pole configuration that will allow the use of brackets in excess of 12 feet and not exceeding 20 feet, to be installed on concrete poles. The monthly billing will be in accordance with the type of luminaire used. For example, high pressure sodium (HPS) cobra head luminaires are defined in Schedule 150 of the Contract as Type 1, thus billing would occur under Paragraph II.A. of Schedule 150. HPS Ultra luminaires are defined in Schedule 150 as Type 2 and would be billed under Paragraph II.B. of Schedule 150. There will be no added monthly charges due solely to the use of this new configuration, though there is likely to be a noticeably higher Excess of Six Years' Revenue because of the significantly higher materials cost. Since these configurations require materials not normally stocked by the Company, repairs involving the required materials that are not in the Company's normal stock will be one of the circumstances considered under Paragraph IV of Schedules 150 and 151 as an "extraordinary circumstance requiring abnormal repairs."
21. The Company agrees to have streetlight outages called into the Customer Service Center (1-888-667-3000) reported on the Company's internet web page for streetlights ("Web Page"),

**Paul N. Proto**

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though the preferred method of reporting remains Web Page entry by County and Municipal customers. The Company will make the Web Page's business system owner (currently Steven A. Chafin at 757-857-2375) available to address a list of concerns generated by County and Municipal customers regarding use of the Web Page. The Steering Committee shall promptly collect the concerns of County and Municipal customers in writing and forward these collectively to Mr. Chafin so all issues can be addressed at once and closure can be reached. Failing timely resolution at this level, outstanding issues regarding the Web Page can be rolled-up to the JAC.

22. Due to required computer programming changes, the Company will have up to 120 days from the date of the counter-signature below to modify its practices so they are in conformance with the revised standards of Paragraph IV of Schedules 150 and 151 of the Contract.

Please feel free to contact me at 771-3296 if you have any questions or concerns concerning this Transmittal Letter or the Contract.

Sincerely,

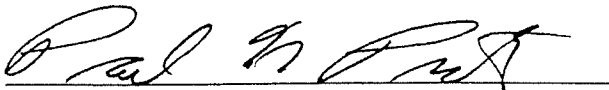


Andrew J. Evans

Director – Regulatory and Pricing

Enclosure

Agreed:

Signature: 

Paul N. Proto

Chairman – VML/VACo Virginia Power Steering Committee

Date: July 2 \_\_\_\_\_, 2001

cc: Louis R. Monacell, Esquire  
Cliona M. Robb, Esquire